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RUEHTU/AMEMBASSY TUNIS PRIORITY 8719  
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SUBJECT: MOROCCO PORT REFORM: EYE ON THE FTA

REF: RABAT 0276

¶1. Summary: Morocco is making wide-ranging reforms to its port sector, a key piece of an economy which handles 98 percent of the country's of foreign trade. A law passed in December 2005 opens the sector to private operators, breaking the state's monopoly over commercial cargo services and creating an independent regulatory agency to oversee the sector. The reforms should lower costs for importers and exporters, improving the conditions for trade. The GOM's stated goal for the liberalization is to get Morocco ready for what Transport Minister Karim Ghellab called "maritime transport in the era of free trade." End Summary.

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Port Reform: FTA in Sight  
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¶2. Commercially, Morocco is an island. Its eastern border with Algeria has been closed for more than a decade, and the country is surrounded by the Sahara desert to the south and by the sea to the north and west. As such, a full 98 percent of Morocco's foreign trade comes and goes via the country's 12 international seaports, making the sector one of utmost importance to the economic well-being of the state.

¶3. Moroccan ports currently operate under a unique system of dual cargo handling, with state operator/regulator ODEP holding a monopoly on dockside cargo handling and a few private stevedoring companies operating an oligopoly over all on-board cargo loading and unloading activities. This duality drives up costs for shippers, importers and exporters; as a result, handling costs for an average container are around \$220 in Moroccan ports versus \$130-\$150 for most Mediterranean ports.

¶4. A law passed in December 2005 will break ODEP's monopoly over land-based cargo handling and open the sector to competition from private firms, creating price and service competition. It will allow the same firm to handle cargo on board ships and on the dock and weaken the oligopoly situation currently enjoyed by on-board stevedoring firms.

¶5. The new law splits ODEP into two separate entities; an independent regulator called the National Ports Agency (ANP), which will serve as the national ports authority, and the new Ports Exploitation Company (SODEP), a government-owned commercial operator that will compete with private firms for the business of on-loading and off-loading cargo. SODEP will inherit ODEP's existing commercial activities, along with its

infrastructure, employees and equipment.

¶6. The National Ports Agency, ODEP's regulatory progeny, will perform a standard regulatory role, coordinating the different actors within the ports, administering commercial port operations, launching tenders and approving new entrants into the field. SODEP, the state operator's commercial offspring, is expected to start operating in the fall of ¶2006. It will initially remain a state company but may eventually be privatized.

¶7. The reform law, which was largely based on a study done by Drewry Shipping Consultants from the UK, will go into force gradually during 2006 as decrees of application are created. Minister of Transport Karim Ghellab chose his right-hand man at the Ministry - the young and able technocrat and former policy director Mohammed Abdeljalil - to guide ODEP through the reform period.

¶8. The legislation was hotly contested by ports workers - joined by national labor union UMT - who fiercely resisted job losses by ODEP workers or any change to their status as state employees. The government successfully resisted pressure to water down the reforms and assuaged workers' demands by negotiating terms that guarantee current ODEP workers no drop in salary or benefits.

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Open for Business  
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¶9. The GOM's aims are to achieve a better, cleaner regulation by isolating the regulator from the commercial operator, and to lower costs by opening stevedoring functions to competition. National Ports Director Jamal Benjelloun said the reforms are essential to accommodate the country's rapid opening to foreign trade, citing the U.S.-Morocco FTA, Morocco's deepening engagements with the European Union, and with newer free trade partners like Turkey, Jordan, Egypt and Tunisia.

¶10. ODEP director Abdeljalil said another key motivation for restructuring the sector was to decentralize commercial control of port operations and prevent one company from immobilizing a port through strikes.

¶11. Comment: These reforms are a smart move and are well overdue, since without an efficient, competitive port system the country will not be able to fulfill its ambitions to expand and diversify its foreign trade. The government has bravely weathered criticism from port workers unions and withstood pressure to dilute out the reforms. We expect to see a better-functioning sector in the years to come. End Comment.

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